Dover Industries Limited

ANNUAL REPORT 1974

*This annual report
was designed and developed by
Howell Litho and Cartons Limited, Burlington, Ontario*

Dover Industries Limited

Executive Offices: 145 MacNab St. North, Hamilton, Ontario

OPERATING
ROBINSON CONE COMPANY *Hamilton, Ontario*

SUBSIDIARY COMPANIES
CHERRY TAYLOR FLOUR MILLS LIMITED • *Chatham and Cambridge Divisions*
HOWELL LITHO AND CARTONS LIMITED • *Burlington, Ontario*
TAYLOR GRAIN LIMITED • *Chatham, Ontario*
DOVER MILLS LIMITED • *Halifax, Nova Scotia*
CAMBRO INDUSTRIES LIMITED • *Hamilton, Ontario*

DIRECTORS

Mrs. K. L. Campbell	J. R. McPhee	J. M. Vallance
Senator J. M. Godfrey, Q.C.	W. H. Pinchin	D. H. Ward
D. M. Hunter	G. R. Sharwood	C. L. Weckman
E. C. Labarge	D. Smith	D. H. Wigle

OFFICERS OF THE COMPANY

President: Mrs. K. L. Campbell
Vice-Presidents: D. H. Wigle, D. M. Hunter, E. C. Labarge
Vice-President Finance and Secretary-Treasurer: J. R. McPhee

TRANSFER AGENT AND REGISTRAR
CANADA PERMANENT TRUST COMPANY *Toronto, Ontario*

CONES, STRAWS & PLASTIC PRODUCTS — ROBINSON-CAMBRO

Sales Offices and Warehouses: Hamilton, Ontario • Montreal, Quebec
Warehouses and Sales Agents:

St. John's, Newfoundland	Fort William, Ontario	Edmonton, Alberta
Halifax, Nova Scotia	Winnipeg, Manitoba	Vancouver, British Columbia
Saint John, New Brunswick	Regina, Saskatchewan	Victoria, British Columbia
Quebec City, Quebec	Saskatoon, Saskatchewan	
North Bay, Ontario	Calgary, Alberta	

FLOUR & GRAIN • CHERRY TAYLOR FLOUR MILLS • TAYLOR GRAIN • DOVER MILLS

Direct Sales: Coast to Coast—Canada
Sales Agents:

England	Bermuda	Antigua	St. Lucia	Dominica	Trinidad
Scotland	Bahamas	Barbados	Montserrat	Guyana	Netherland Antilles
Portugal	Jamaica	Grenada	St. Vincent	St. Kitts	

PAPER BOXES, LABELS & POSTERS — HOWELL LITHO & CARTONS

Sales Offices: Burlington, Ontario • Montreal, Quebec
Sales Agents:

St. John's, Newfoundland	Quebec City, Quebec
Halifax, Nova Scotia	Vancouver, British Columbia
Saint John, New Brunswick	Jobber distribution coast to coast.

REPORT TO SHAREHOLDERS:

Your Directors herewith present the 34th Annual Report of Dover Industries Limited, including Consolidated Statements for the year ending December 31, 1974, and a five year Financial Summary.

FINANCIAL HIGHLIGHTS:

Sales:

Total sales were $33,924,510 for the year compared to $23,808,143 in 1973. Sales were up 42% with all divisions reporting increases.

Earnings:

The Consolidated net profit for the year was $1,428,869 compared to $665,115 the previous year. Earnings were $4.79 per Common share after provision for taxes and Preferred dividends.

Dividends:

Dividends amounting to $61,576 were paid on Preferred shares at 6% and $205,660 or 72¢ on the Common shares. This included an extra dividend of 21¢ a share paid September 1.

Working Capital:

Working Capital increased to $1,846,054 from $1,483,077 in 1973.

Inventories:

Inventories were $4,186,388 compared to $3,446,831 in 1973. This does not include wheat held at the National Harbour Board Elevator in Halifax for use at Dover Mills Limited.

Capital Expenditures:

Capital Expenditures in 1974 amounted to $1,311,874. A new warehouse was built at Robinson's and new cone machinery installed. Additional grain storage was added at Louisville and at Howell's a five colour printing press and extra cutting and creasing equipment have added to the production capacity.

OPERATIONS REVIEW:

Robinson-Cambro:

Sales and profits in this division increased during the year. A new warehouse completed early in 1974 reduced material handling costs considerably and further new equipment on order for immediate delivery, will give the much needed extra capacity and efficiency for the cone operations. In spite of resins doubling in price as well as being in short supply, the plastic division increased sales by 52% during the year.

Howell Litho & Cartons:

A higher sales volume and a more realistic pricing structure prevailed in the carton operations this year. Production and capacity were increased with more efficient new machinery, resulting in a more reasonable return on investments.

Taylor Grain:

Grain prices remained high throughout the

year, with a further 200,000 bushel storage facility and a new grain dryer added to our Louisville Elevator, earnings improved.

Cherry Taylor:
The sales and profit improvement in the milling business which started in 1973 held through 1974. Both mills operated at near capacity and with high by-product return our profits increased without any corresponding rise in our flour prices.

Dover Mills:
Continued increases in flour and feed sales in the Atlantic Provinces have again improved our operations in Halifax. An encouraging increase in consumer flour sales and our ability to service the Atlantic area, particularly during recent transportation difficulties, established our mill as an important adjunct to the Maritime economy.

SUMMARY:
Last year we predicted that world wide shortages of resin, board and paper with delays in supply and rising prices, could adversely affect the operations of some of our divisions. These shortages did develop in some cases but towards the year end they abated and we do not foresee a recurrence in the near future. Any recession, which would result in a falling off in the demand for consumer products would affect the packaging division. We believe that grain prices have peaked, barring poor crops in 1975, and that food requirements will continue to increase at home and abroad which should assure continued satisfactory operations in the grain and milling divisions. To close on a sobering note, it should be pointed out that although there was an improvement in dollar sales, this actually represents an increase in physical volume of business and a substantial inflationary factor common to all Canadian business during 1974.

PERSONNEL
Mr. Thomas R. Ambeau has been appointed Vice President, Sales, at Howell Litho & Cartons Limited.

Mr. William Gregory joined Robinson-Cambro as Sales and Marketing Manager.

ANNUAL MEETING
The Annual Meeting of the company will be held on Tuesday, April 29, at 10:30 a.m. at Howell Litho and Cartons Limited, Mainway Avenue, Burlington. We hope as many shareholders as possible will be present.

It is with sincere appreciation, the Board of Directors, acknowledge the contribution of management and staff during the past year.

Respectfully submitted
on behalf of the Board

Moira Campbell

President
March 21, 1975

Dover Industries Limited

(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET

December 31, 1974 (with comparative figures at December 31, 1973)

ASSETS	1974	1973
CURRENT:		
Accounts receivable	$ 3,181,673	$ 2,615,778
Inventories (note 2)	4,186,388	3,446,831
Prepaid expenses	155,106	74,728
Total current assets	7,523,167	6,137,337
FIXED (note 3):		
Land, buildings and equipment at cost	9,863,915	9,043,780
Less accumulated depreciation	4,922,846	4,903,803
	4,941,069	4,139,977
OTHER:		
Accounts receivable, secured by mortgages—not expected to be received within one year	120,000	50,000
Goodwill (excess of cost of investments in subsidiaries over equity in net tangible assets at date of acquisition)—at cost less amortization	55,914	62,903
	$12,640,150	$10,390,217

See accompanying notes to financial statements.

On Behalf of the Board:

Mona Campbell *Director*

John R McPhee *Director*

LIABILITIES	1974	1973
CURRENT:		
Bank indebtedness (notes 2 and 4)	$ 3,565,441	$ 3,142,454
Accounts payable and accrued charges	1,261,671	996,660
Income and other taxes payable	663,454	323,471
Dividends payable	15,394	15,394
Long term debt instalments due within one year (note 5)	171,153	176,281
Total current liabilities	5,677,113	4,654,260
LONG TERM DEBT (note 5)	1,169,775	1,340,928
DEFERRED INCOME TAXES	611,200	374,600
SHAREHOLDERS' EQUITY:		
Capital stock—		
Authorized:		
105,000 6% cumulative preferred shares of the par value of $10 each redeemable at par		
1,000,000 common shares without par value		
Issued:		
102,626 preferred shares	1,026,260	1,026,260
285,640 common shares	71,750	71,750
	1,098,010	1,098,010
Retained earnings (statement 2)	4,084,052	2,922,419
	5,182,062	4,020,429
	$12,640,150	$10,390,217

AUDITORS' REPORT *To the Shareholders of Dover Industries Limited:*

We have examined the consolidated balance sheet of Dover Industries Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Canada,
February 21, 1975.

CLARKSON GORDON & CO.
Chartered Accountants.

Dover Industries Limited

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1974 *(with comparative figures for 1973)*

STATEMENT OF INCOME	1974	1973
Sales (note 6)	$33,924,510	$23,808,143
Operating costs and expenses (including depreciation of $470,372 in 1974 and $364,584 in 1973)	30,892,519	22,320,604
Income before interest and taxes	3,031,991	1,487,539
Interest:		
Long term debt	98,525	110,432
Bank indebtedness and other	323,197	157,192
	421,722	267,624
Income before taxes	2,610,269	1,219,915
Income taxes	1,181,400	554,800
Net income for year	$ 1,428,869	$ 665,115
Net income per common share	$4.79	$2.11

STATEMENT OF RETAINED EARNINGS	1974	1973
Retained earnings at beginning of year	$ 2,922,419	$ 2,450,274
Net income for year	1,428,869	665,115
	4,351,288	3,115,389
Dividends declared—		
Preferred—60¢ per share	61,576	61,576
Common—72¢ per share in 1974; 46¢ in 1973	205,660	131,394
	267,236	192,970
Retained earnings at end of year	$ 4,084,052	$ 2,922,419

See accompanying notes to financial statements.

Dover Industries Limited

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1974 *(with comparative figures for 1973)*

	1974	1973
SOURCE OF FUNDS:		
Operations—		
Net income for year	$ 1,428,869	$ 665,115
Add (deduct):		
Depreciation	470,372	364,584
Deferred income taxes	236,600	91,500
Loss (gain) on disposal of fixed assets	(24,998)	34,502
Amortization of goodwill	6,989	6,989
Funds from operations	2,117,832	1,162,690
Proceeds on disposal of fixed assets	65,408	12,030
Repayments of mortgage receivable		10,000
	2,183,240	1,184,720
APPLICATION OF FUNDS:		
New facilities and equipment	1,311,874	444,281
Dividends to shareholders	267,236	192,970
Reduction of long term debt	171,153	176,281
Increase in long term accounts receivable	70,000	50,000
	1,820,263	863,532
Increase in working capital during year	362,977	321,188
Working capital at beginning of year	1,483,077	1,161,889
Working capital at end of year	$ 1,846,054	$ 1,483,077

See accompanying notes to financial statements.

Dover Industries Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1974

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the following wholly-owned subsidiary companies:

- Howell Litho and Cartons Limited
- Taylor Grain Limited
- Cherry Taylor Flour Mills Limited
- Dover Mills Limited
- Cambro Industries Limited

Inventories are valued principally at the lower of average cost and net realizable value.

Land, buildings, machinery and equipment are carried at cost, less accumulated depreciation. Expenditures for plant and equipment renewals and improvements are capitalized. The cost of disposals and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Depreciation is computed on the straight-line method at rates estimated to amortize the cost of the assets over their estimated useful life, principally as follows:

Buildings	2½—10%
Equipment	10%

Income tax regulations permit the deduction of depreciation at a more rapid rate than is reflected in the companies' accounts. The tax effect of this timing difference is recognized in the accounts as deferred income taxes.

The excess of the cost of investments in subsidiary companies over equity in net tangible assets at date of acquisition is amortized as an operating expense. Accordingly, $69,892, the excess cost incurred on a purchase made during 1972 is being amortized over a ten year period ending in 1982.

(2) INVENTORIES

The inventories consist of the following:

	1974	1973
Inventory of grains (see below)	$1,002,323	$1,052,863
Other raw materials	1,031,514	648,290
Work in process	512,823	426,205
Finished goods	1,639,728	1,319,473
	$4,186,388	$3,446,831

Under the Canadian Wheat Board Act, the companies are permitted to borrow from their bankers on the security of wheat purchased and held as agent for the account of the Canadian Wheat Board. At December 31, 1974 such bank advances amounting to $3,568,848 (December 31, 1973, $3,081,929) have been applied in the accounts against the wheat inventory.

(3) FIXED ASSETS

	1974			1973
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 128,632		$ 128,632	$ 120,132
Buildings	3,203,536	$ 851,383	2,352,153	2,231,971
Equipment	6,531,747	4,071,463	2,460,284	1,787,874
	$9,863,915	$4,922,846	$4,941,069	$4,139,977

(4) BANK INDEBTEDNESS

Inventories and an assignment of book debts have been pledged to bankers as collateral security for a portion of the bank indebtedness, $1,280,229.

(5) LONG TERM DEBT

Long term debt consists of:	1974	1973
7% first mortgage sinking fund bonds Series A repayable in equal annual instalments covering principal and interest and maturing on June 1, 1977	$ 347,401	$ 420,527
Series B repayable in equal annual instalments covering principal and interest and maturing on June 1, 1987	931,527	970,135
10.2% first mortgage of a subsidiary company principal repayable in monthly instalments of $1,300 and maturing on August 23, 1976	26,000	41,600
5% debentures of a subsidiary company due February 28, 1975 (requiring yearly sinking fund payments of $36,000)	36,000	72,000
7% first mortgage paid in 1974		12,947
	1,340,928	1,517,209
Less principal repayments due within one year	171,153	176,281
	$1,169,775	$1,340,928

The 7% first mortgage sinking fund bonds are further secured by the guarantee of a subsidiary and a floating charge on all of the subsidiary's assets.

Payments of long-term debt for the next five years are as follows: 1975—$171,153; 1976—$138,322; 1977—$136,876; 1978—$146,457; 1979—$54,147.

(6) GROSS REVENUE BY CLASS OF BUSINESS

Gross revenue includes the following classes of business:

	1974	1973
Food products	$25,699,024	$18,266,871
Packaging materials	8,225,486	5,541,272
	$33,924,510	$23,808,143

(7) STATUTORY INFORMATION

As required by the provisions of the Canada Corporations Act, it is reported that expenses for 1974 include:

Aggregate remuneration of 12 directors as directors	$ 10,375
Aggregate remuneration of five officers as officers (all of whom are directors)	176,443

Dover Industries Limited

FINANCIAL SUMMARY 1970 TO 1974

EARNINGS AND DIVIDENDS

	1974	1973	1972	1971	1970
Income before taxes	$2,610,269	$1,219,915	$ 664,480	$ 630,600	$ 359,764
Income tax provision	$1,181,400	554,800	310,300	289,300	187,000
Net income	$1,428,869	665,115	354,180	341,300	172,764
Net income per preferred share	$ 13.92	6.48	3.45	3.33	1.68
Net income per common share	$ 4.79	2.11	1.02	.98	.39
Dividends per preferred share	$ .60	.60	.60	.60	.60
Dividends per common share	$ .72	.46	.40	.40	.40
Earnings retained in business	$1,161,633	472,145	178,348	165,468	(3,068)

FINANCIAL STATUS

	1974	1973	1972	1971	1970
Current assets	$7,523,167	$6,137,337	$4,194,391	$4,753,313	$3,918,572
Current liabilities	$5,677,113	4,654,260	3,032,502	3,586,964	3,079,880
Working capital	$1,846,054	1,483,077	1,161,889	1,166,349	838,692
Current ratio	1.3 to 1	1.3 to 1	1.4 to 1	1.3 to 1	1.3 to 1
Plant and equipment (net)	$4,941,069	4,139,977	4,106,812	3,949,908	4,226,954
Stockholders' investment (capital and surplus)	$5,182,062	4,020,429	3,548,284	3,369,936	3,204,468
Common stock equity per share	$ 14.55	10.48	8.83	8.20	7.63
Shares of preferred stock outstanding	102,626	102,626	102,626	102,626	102,626
Shares of common stock outstanding	285,640	285,640	285,640	285,640	285,640

Years 1970-1972 adjusted for 2- for -1 stock split in 1973